
LCT-1

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THE LIQUOR CONSUMPTION TAX

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READER SURVEY

This bulletin has been prepared to assist you in understanding your obligations under *The Liquor Consumption Tax Act* and *The Revenue and Financial Services Act*. It is provided as a general guide and should not be considered a substitute for the legislation.

Changes to this bulletin are identified by a bar (|) in the left margin.

The contents of this bulletin are presented under the following sections:

- A. General Information
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- G. Filing Your Tax Return
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Attachment – *Audit Information and Record Keeping Requirements*

A. GENERAL INFORMATION

The Liquor Consumption Tax (LCT)

The LCT rate is 10 per cent and it applies to the total selling price of beer, wine and spirits, including charges for the right to consume alcohol in a licensed establishment, such as Bring Your Own Wine (BYOW) charges.

Your Special Licence

A Special Licence is issued by the Ministry of Finance to all LCT collectors in order to report and remit the LCT collected. If you carry on business at more than one location in the province, you will receive a Special Licence for each place of business. A Special Licence is not transferable and cannot be used by anyone else.

Your Responsibilities

As the holder of a Special Licence (a collector of LCT), your responsibilities under *The Liquor Consumption Tax Act* are to:

- Collect the tax on the sale of beer, wine and spirits;
- Collect the resale levy on purchases made by Special Occasion Permit holders who resell alcohol under open pricing;
- Collect the tax on fees to consume alcohol such as BYOW charges;
- Refund the tax on returned beer, wine and spirits if the full purchase price is refunded to the customer;
- Pay the tax on beer, wine and spirits for your own use when taken from stock;
- Keep complete and up-to-date records of all your business transactions; (You should not destroy these records unless permission has been granted by Finance. Records must be retained for at least six years. See the attachment at the end of this bulletin, *Audit Information and Record Keeping Requirements*);
- Remit the tax and resale levy collected to Finance;
- File tax returns by the due date shown on the return;
- Advise us if your business and/or mailing address is changed;
- Advise us if your business is discontinued or sold or if there is a change in your business name; and,
- Quote your SLGA Retail Store or Commercial Permit number when you are buying beer, wine and spirits for resale.

B. COLLECTING THE TAX

As a Special Licence holder, LCT should be recorded separately from sales in your records and all tax collected must be remitted. Examples are included below for the calculation of LCT in situations when tax-inclusive pricing is used at the point of sale.

(a) Off-Sale – Sales for Off-Site Consumption (Retail Store Permit)

Off-sale includes sales by Retail Store Permit holders such as retail stores, off-sale establishments and manufacturer's off-sale.

LCT applies to the total selling price of beer, wine and spirits (excluding GST and refundable deposits and environmental handling charges collected from the customer).

The following table summarizes refundable deposits and environmental handling charges for beverage containers. These charges are not subject to LCT.

Beverage Container	Environmental Handling Charge (per container)	Refundable Deposit (per container)	Total Amount (per container)
- Metal cans			
- under 1 litre	7¢	10¢	17¢
- 1 litre or more	7¢	25¢	32¢
- Plastic bottles			
- under 1 litre	8¢	10¢	18¢
- 1 litre or more	8¢	25¢	33¢
- Glass bottles			
- 300 ml or less	9¢	10¢	19¢
- more than 300 ml but less than 1 litre	9¢	20¢	29¢
- 1 litre or more	9¢	40¢	49¢
- Beer bottles (refillable)	0¢	10¢	10¢

The following illustration assists in the calculation of LCT when there is no segregation made between the liquor sales, tax collected (GST and LCT) and refundable deposits and environmental handling charges, at the time of sale:

To ensure that you do not over remit LCT, the appropriate refundable deposits and environmental handling charges that have been collected on beverage containers must be deducted before calculating the tax owing.

Total liquor sales from records (including GST, LCT, refundable deposits and environmental handling charges)	\$7,500.00	
Deduct resale to other retail or commercial permit holders (including GST, refundable deposits and environmental handling charges)	<u>500.00</u>	\$7,000.00
Deduct deposit/environmental charge collected on beverage containers (excluding resale)		
25 glass bottles (300 ml or less) @ 19¢ per bottle	\$ 4.75	
150 glass bottles (greater than 300 ml but less than 1 litre) @ 29¢ per bottle	43.50	
20 glass bottles (1 litre or greater) @ 49¢ per bottle	9.80	
15 plastic bottles (under 1 litre) @ 18¢ per bottle	2.70	
10 plastic bottles (1 litre or greater) @ 33¢ per bottle	<u>3.30</u>	
	\$ 64.05	
Deduct: Beer bottle deposit (50 cases sold @ \$1.20 per dozen)	\$ 60.00	
Beer can deposit/environmental charge (100 cases sold @ \$2.04 per dozen)	<u>204.00</u>	<u>\$328.05</u>

Total sales (\$7000 sales - \$328.05 total deposits/environmental charges)	\$6,671.95
Multiply by 10/115 to arrive at tax collected	\$ 580.17
Plus: Resale levy collected during the return period	<u>100.00</u>
Total	<u>\$ 680.17</u>

The above total liquor sales figure of \$6,671.95, tax of \$580.17 and the resale levy of \$100.00 must be recorded on your LCT return.

(b) Table Sales - Sales for On-Site Consumption (Restaurant, Tavern, Special Use and Manufacturer Permits)

This includes sales by Commercial Permit holders such as restaurants, brew pubs, clubs, caterers, spas, theatres, manufacturers etc.

The LCT on beer, wine and spirits must be calculated on the total selling price charged to the customer. The total selling price for consumption on a licensed premise includes charges for mixes or corkage, as well as any other fees that are charged to a customer for the right to consume alcohol on your premises, such as BYOW charges. It is not permissible to levy a separate charge for these items in order to reduce the amount of tax payable.

Refundable deposits and environmental handling charges that you have paid on the purchase of beverage containers are not to be charged to your customer on table sales.

The following illustration assists in the calculation of LCT on sales when there is no segregation made between the liquor sales and tax collected (GST and LCT):

Total liquor sales from records	\$ 4,600.00
Multiply by 10/115 to arrive at the tax collected	\$ 400.00

The above total liquor sales figure of \$4,600.00 and tax of \$400.00 must be recorded on your LCT return.

C. RESALE LEVY

A resale levy must be collected on the sale of alcohol sold to Special Occasion Permit holders that are reselling the product under open pricing for community social functions and fundraising events for non-profit groups, sports clubs and educational groups. The resale levy is in addition to the LCT, GST and deposit and is calculated by applying the appropriate percentages as follows:

- 10 per cent for beer
- 14 per cent for wines, coolers and ciders
- 18 per cent for spirits and liqueurs

The resale levy must be recorded in the "Resale Levy Collected" line on your LCT return.

D. PERSONAL CONSUMPTION AND PROMOTIONAL DRINKS

The LCT must be paid on the purchase cost of all liquor consumed by business owners or staff. Drinks that are given away to patrons free of charge or for promotional purposes are considered personal consumption and are also subject to tax on cost. The tax owing is to be recorded as “Net Tax Collected” on the return form. Detailed records of personal consumption and promotional giveaways must be maintained for audit verification.

E. SPILLAGE AND BREAKAGE

Finance realizes that normal business operations may include a small amount of liquor spillage or breakage. In these limited instances it is considered that no consumption has occurred and consequently no tax is due on the recorded amounts. However, you are required to maintain a record of these instances to provide an account for audit verification.

F. PREPARED FOOD AND BEVERAGES

Effective April 1, 2017, meals and other prepared food and non-alcoholic beverages are subject to PST. These items are subject to PST on the same basis as the GST. Therefore, when tax applies for GST purposes, PST also applies.

For further reference, please see Information Bulletin [PST-33, Information for Restaurants, Caterers and Other Businesses Selling Prepared Food and Beverages.](#)

G. FILING YOUR TAX RETURN

You are required to submit tax monthly, quarterly or annually depending on the amount of the taxes to be paid. The filing frequency is established as follows:

Filing Frequency	Tax Collected or Payable
Annually	0 to \$3,600 per year
Quarterly	\$3,600 to \$7,200 per year
Monthly	over \$7,200 per year

A tax return form will be sent to you at the end of each reporting period. Instructions for completing the return are provided on the form. Please read the instructions carefully. An incorrectly completed form may delay the processing of your tax return and payment. If there is no tax to report for the period, you must still file a “0” return.

If for some reason you do not receive a tax return, your tax information must still be filed by the due date. Simply prepare a return along the general lines of a previous tax return, deduct your commission and remit the balance. To ensure your tax account is properly credited, please quote your account number when filing the information.

Returns are due by the 20th day of the month following the end of the reporting period. The completed form must be returned, with your payment, by the due date shown on the return to avoid the application of penalty and interest.

A tax return form must be completed for each reporting period. If you have no tax to report, please mark your return "0" and return it for processing.

Commission

Effective April 1, 2017, the commission allowance for the collection and remittance of Provincial Sales Tax, Liquor Consumption Tax and Tobacco Tax is eliminated. Please see Information Notice [IN 2017-15, Elimination of Commission Allowance on Tax Collections](#).

Tax Credit on Bad Debts

You may claim a credit for the tax portion of receivables that are written off as uncollectible. The tax credit should be taken as an internal adjustment in your records. Details of the accounts written off must be kept for audit verification by the Revenue Division.

H. ENFORCEMENT PROVISIONS

Failure to Comply

Non-compliance can result in the suspension of your Special Licence issued under *The Liquor Consumption Tax Act*. If your Special Licence is suspended, you will not be allowed to purchase beer, wine or spirits for resale and you will not be allowed to sell alcoholic beverages in your establishment.

Corporate Director's Liability

In certain circumstances, corporate directors may be held personally liable for taxes collected but not remitted by a corporation.

Directors may be held personally accountable for a corporation's tax liability when collection efforts against the corporation have failed or when a corporation becomes bankrupt or commences other liquidation proceedings. Directors may only be held liable if the corporation fails to collect or remit the tax (as opposed to taxes payable by the corporation). A director may avoid liability by demonstrating that reasonable steps were taken to ensure that the corporation remitted its tax collections.

Penalties for Failing to Remit Tax

Penalty and interest charges are applied to taxes that are not remitted by the due date. These charges are necessary to ensure that taxes are collected and remitted on time.

Penalty Applied to Late Returns

A penalty of 10 per cent of the tax payable, to a maximum of \$500, is applied to each return period.

Penalty Applied to Audit Assessments

The following penalties apply to audit assessments:

Tax on Sales

- A penalty of 10 per cent of the amount assessed, with no maximum, is applied to audit assessments for liquor sales where the tax should have been collected from your customers, but was not.

- A penalty of 25 per cent of the amount assessed, with no maximum, is applied to audit assessments for LCT that has been collected from your customer but not remitted.
- A penalty of 100 per cent of the amount assessed, with no maximum, may be applied to audit assessments for LCT collected from your customer that willfully has not been remitted.

Tax on Consumption

- A penalty of 10 per cent of the amount assessed, with no maximum, is applied to audit assessments for liquor that was taken from inventory for your own use or given away for promotional purposes, where the tax should have been self assessed, but was not.

Interest Charges

Interest at the prime interest rate plus 3 per cent is charged from the date the tax was to have been remitted.

I. SELLING OR PURCHASING A BUSINESS

Businesses are required to report and remit Provincial Sales Tax (PST) on the purchase or sale of used goods, including business assets, such as restaurant equipment and taxable vehicles. When used assets are purchased as part of the closure or transfer of a business, the purchaser is required to self-assess and report the tax.¹

When selling your business please ensure that you:

- Advise us immediately of the name of the new owner, the effective date of the sale and return your Special Licence.
- Submit a tax return within 15 days of the sale for all taxes owing to the date of the sale of the business.
- Obtain a copy of the certificate in duplicate from us verifying that all taxes have been paid. The duplicate copy should be provided to the purchaser.

When purchasing an established business please ensure that you:

- Apply for a Special Licence. A licence application form should be requested from us
- Obtain a copy of the certificate issued by us to the seller verifying that all taxes collected by the seller have been paid. If you fail to do so, you may be held responsible for all taxes collected but not remitted by the seller.

J. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. SETS offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

¹ Information Bulletin PST-58, *Information on the Taxation of Used Goods*

Businesses may use SETS to file and pay returns for LCT, PST, Beverage Container Program fees and other provincial taxes.

SETS allows businesses to:

- file and pay returns or make payments on account;
- file a return and post-date the payment to the due date;
- view account balance and statement information;
- authorize your accountant to file on your behalf; and,
- subscribe to an email notification service that allows the option to be notified by email that a tax return should be filed. This replaces the paper forms normally received in the mail.

FOR FURTHER INFORMATION

Write: Ministry of Finance
Revenue Division
PO Box 200
REGINA SK S4P 2Z6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

Email: sasktaxinfo@gov.sk.ca

In-Person: Ministry of Finance
Revenue Division
2350 Albert St
REGINA SK S4P 4A6

Fax: 306-787-9644

Internet: Tax bulletins, forms and information are available at Saskatchewan.ca/business-taxes.

To receive automatic email notification when this or any other bulletin is revised, go to Saskatchewan.ca/business-taxes, then [Tax Information Updates](#) and click the "Subscribe" button.

Government website: Saskatchewan.ca

Attachment to LCT-1

LIQUOR CONSUMPTION TAX (LCT) AUDIT INFORMATION AND RECORD KEEPING REQUIREMENTS

Establishments registered to collect LCT are required to maintain detailed records for audit verification purposes. This guide will assist you in understanding the record keeping requirements under the provisions of *The Liquor Consumption Tax Act* and *The Revenue and Financial Services Act*. It is a general guide and not a substitute for the legislation.

LIQUOR AUDITS – WHAT TO EXPECT

All alcohol purchased with a SLGA Retail Store or Commercial Permit number is purchased tax free. The buyer is responsible for keeping records to maintain an accurate account of all the alcohol purchased, all alcohol sold or consumed, and a proper accounting of tax collected.

At the commencement of an audit, the auditor will meet with you to;

- gain an understanding of your business operations and to gather information/data to assist in the audit;
- review internal controls on inventory, method(s) of dispensing liquor etc. to ensure all sales are recorded;
- examine your records and documentation to ensure that the tax is properly being collected and remitted on your liquor sales; and,
- review all purchase information, including purchases made **without** using your SLGA Retail Store or Commercial Permit number.

The purpose of the review is to ensure the tax is properly being collected and remitted on liquor sales. With the accumulated data, actual selling prices are applied to the purchases made in the audit period. A separate review is done for off-sale and table sales. If adequate records are not available to distinguish selling prices, or to account for sales made by off-sale and table sales separately, the auditor will use estimates based on available information.

Once the total estimated value of sales are determined, the LCT tax rate is applied to arrive at an estimated amount of tax collected on these sales. This estimate is then compared to the actual amount of tax reported. In the event of a discrepancy, the auditor will look for reasonable explanations to account for the variance.

The auditor is aware that variances do occur for a variety of reasons, such as happy hour pricing, spillage, promotional drinks, use of liquor in food preparation, etc. Allowances for these variances may be given if proper documentation is available to support them. When a variance cannot be explained by these methods, it is generally assumed to be unreported sales and an assessment of tax will be raised. Therefore it is very important and beneficial for you to maintain detailed, accurate, complete and up to date records.

THE FOLLOWING ARE THE MINIMUM RECORDS WHICH MUST BE MAINTAINED:

ACCOUNTING RECORDS:

- Financial statements and/or income tax returns
- Detailed general ledgers
- Chart of accounts
- Detailed sales journals
- Purchase journals

SOURCE DOCUMENTS:

- Daily till tapes or point of sale (POS) reports showing sales and tax collected, separate records if operating both off-sale and table sales
- Sales records to Special Occasion Permit holders
- Brewing production records (when applicable)
- Purchase invoices for all alcohol purchased (i.e. SLGA, retail stores, craft producers)
- Record of exempt sales to other permit holders with the purchaser's SLGA Retail Store or Commercial Permit number recorded on the invoice

OPERATIONAL RECORDS:

- Deposit slips and bank statements
- Sales price listing of all products including the date and amount of any price changes. This should include happy hour, drink specials and off-sale prices. (i.e. menus or cash register report)
- Liquor used in food preparation (when applicable)

LCT RETURN BACKUP:

- Accounting of LCT collected, separate accounting for off-sale and table sales
- Accounting of resale levy collected
- Details of tax self-assessed on promotional drinks/personal consumption
- Details of bottle deposits and environmental handling charges deducted from sales to calculate tax collections (off-sale sales only)

PROMOTIONAL RECORDS:

- Detailed unit listing/report of promotional drinks
- Record of any units taken out of inventory for personal consumption

SPILLAGE & BREAKAGE RECORDS:

- Detailed accounting of inventory units lost to breakage
- Detailed unit accounting of all spillage
- Replacement drinks – void sales

INVENTORY RECORDS:

- Physical count of units in inventory (i.e. monthly, quarterly, annually)
- Records of inventory lost to natural disasters (i.e. insurance claims)
- Police reports for inventory theft
- Records of inventory transfers/purchases from the Retail Store to the restaurant, tavern, etc.

Any other relevant documentation that may have an impact on the review of liquor sales.

Records must be maintained for at least 6 years. You must not destroy records that are less than 6 years old unless you first obtain permission from the Revenue Division.